PRIVACY

AND THE NI

Safeguarding Telecommunications-Related Personal Information

U.S. DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration

information—even personal information—promotes a dynamic economic marketplace, which produces substantial benefits for individual consumers and society as a whole.

Not surprisingly, many service providers argue that securing customer consent through an opt-in procedure "could harm innovation and prevent desirable services from emerging."[95] They also contend that individuals cannot accurately predict today what they may find useful tomorrow. As a result, an opt-in approach may prevent uses of personal information that individuals may in fact want.[96] In fact, in a national survey conducted by Louis Harris, a majority of consumers polled (52%) indicated that they would be interested in participating in subscriber profiling activities—receiving advertising and information about products and services matching their particular interests—over interactive networks, and 48 percent would be "somewhat" interested in supplying information that would enable them to receive special offers.[97] On the other hand, it may be argued that individuals cannot accurately predict how seemingly innocuous information may be used in inappropriate ways. Thus, an opt-out approach may lead to uses of personal information that individuals would reject.

NTIA believes, on balance, that the mechanism for securing customer consent for company use of TRPI should depend on the nature of that information. Companies should not make any ancillary use of "sensitive" TRPI without first obtaining explicit authorization from the relevant customer. On the other hand, a company should be allowed to use non-sensitive TRPI for unrelated purposes unless the customer affected, having been notified of the company's plans, takes some action stopping such use—such as making a telephone call or mailing in a form— by a certain date.[98] When the date for customer action has passed—but not before—the company should be free to use the customer's TRPI in the ways identified. Whatever the mechanism for securing customer consent, however, consent should never be a precondition for receiving service. That is to say, subscribers may not be denied service because they decline to authorize use of their TRPI for purposes other than rendering the service requested.[99]

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95 Comments of Bell Atlantic at 4. *Cf.* Comments of AT&T at 9-10; Comments of Time Warner Inc. at 12; and Comments of The Newspaper Association of America at 2, 3-4 (all favoring an opt-out approach).

96 *See* Comments of TRW Inc. at 11-12.

97 Louis Harris and Associates, Inc., *Interactive Services, Consumers, and Privacy: A National Survey* 94 (1994). However, this same group expressed privacy concerns. For example, 60% indicated that they would like to be fully informed about a provider's collection of subscriber profile information before deciding to subscribe to its services; 74% indicated that they would like to review the information in their profile, correct errors, and indicate which sets of information they would allow to be used for marketing. *Id.* at 95.

98 The distinction between sensitive and non-sensitive data is not clear-cut; information that is sensitive to one person may be innocuous to another. Although NTIA does not suggest a definitive answer to this question, we do believe that information relating to health care (*e.g.*, medical diagnoses and treatments), political persuasion, sexual matters and orientation, and personal finances (*e.g.*, credit card numbers) should be considered "sensitive." The same is true for an individual's social security number, which has become a universal personal identifier, a passkey that allows the holder to unlock and accumulate the vast storehouse of information on most people that is available from a host of different databases.

99 *See generally* Comments of The Consumer Interest Research Institute at 8.

APPENDIX B

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services	)	CC Docket No. 95-20

COMMENTS OF PACIFIC BELL AND NEVADA BELL ON THE NOTICE OF PROPOSED RULEMAKING

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Date: April 7, 1995

network architecture rules followed by the BOCs are designed to offer nondiscriminatory access at prices that avoid cross-subsidies, and (3) all available evidence shows that these rules are working as intended and that the enhanced service market is thriving. It is clear that any benefits to competition that may arise from structural separation are far outweighed by the loss of benefits and extra costs we have identified which arise from structural separation.[4]

II. THE ENHANCED SERVICES MARKET IS COMPETITIVE AND THRIVING

In 1986, opponents of the Commission's proposal to remove structural separation requirements argued that enhanced services were in their infancy and needed protection.[5] Those parties cannot rationally argue that anymore. The enhanced services market grew from $7.5 billion in 1988 to $10.2 billion in 1991, and to $13.6 billion in 1993.[6] Insight Research estimates that revenues reached approximately $17 billion in 1994.[7] Revenues are growing at a rate of approximately

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[4] Id. at 3.

[5] See Amendment of Sections 64.702 of the Commission's Rules and Regulations (Third Computer Inquiry), CC Docket No. 85-229, Phase I, Report and Order, 104 FCC 2d 958, para. 65 (1986) ("CI-III Phase I Report and Order"); Memorandum Opinion and Order on Further Reconsideration, 3 FCC Rcd 1135 (1988), ("CI-III Phase I Further Reconsideration Order"); Phase II, Report and Order, 2 FCC Rcd 3072 (1987) ("CI-III Phase II Report and Order"); Memorandum Opinion and Order on Reconsideration, 3 FCC Rcd 1150 (1988) ("CI-III Phase II Order on Reconsideration"); Phase I and Phase II, Memorandum Opinion and Order on Further Reconsideration and Second Further Reconsideration, 4 FCC Rcd 5927 (1990) ("CI-III Phase I Second Further Reconsideration and Phase II Further Reconsideration").

[6] U.S. Industrial Outlook: 1990 (p. 29-2), 1992 (p. 26-1), 1994 (p. 25-2). The Department of Commerce discontinued this publication in 1995.

[7] Report on the State of the Enhanced Voice & Data Marketplace, 1994-1999, April 1994, The Insight Research Corporation, pp. 2, 3, 85 ("Insight Research").

16 percent per year and are expected to reach $36 billion by the end of the decade.[8] ESPs of all types are expanding into each others' markets, and are converging and integrating formerly discrete offerings of enhanced services in order to meet customer demands.

The major competitors in the electronic messaging/videotex gateway[9] markets are national and international providers, many of whom have their own local and global networks. The BOCs have been held back in these markets by the MFJ restriction on interLATA services. Nevertheless, the BOCs are making important contributions. In Part III below, we discuss Pacific Bell's many applications of these services which are benefiting the public.

The BOCs are major competitors for Voice Mail and Voice Store & Forward services, which are used extensively for local and regional, in addition to national, communications. As a result of the Commission's Computer III policy, the BOCs have been able to help bring tremendous growth to the residential market. These services face stiff competition from national providers, combinations of automated and live answering services, and CPE. In Part III below, we discuss Pacific Bell's substantial contribution to this market.

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[8] Id.

[9] Electronic messaging and videotex have converged, and there are no clear distinctions between them or their various applications.

A. Electronic Messaging/Videotex Gateway Services

One of the fastest growing sections of the enhanced services market is composed of Value Added Network ("VAN") services. The top six VANs, which control nearly half the VAN services revenues, are BT/MCI Tymnet (Concert), SprintNet, INFONET, GE Information Services, IBM/Sears (Advantis), and Compuserve.[10] AT&T Accunet X.25 is another major competitor. WilTel is a new entrant for X.25 service in California and provides further evidence that this market is fully competitive. Enhanced VAN services include online databases, electronic yellow pages, voice messaging, electronic-mail, fax-mail, electronic data interchange ("EDI"), and enhanced protocol and code conversion.[11] VAN services are growing at a rate of approximately 15 percent annually. In 1993, the VAN market was $12 billion worldwide and $3.4 billion in the United States.[12] IBM/Sears Advantis is an example of the fast growth of this market; Advantis started in 1992 and now has over one million users.[13]

Electronic-mail ("e-mail") is growing rapidly. The compound annual growth rate for public e-mail service from 1994-1999 is estimated at 25 percent.[14] The largest public e-mail vendors include: AT&T, Sprint, MCI, BT/MCI Tymnet, GEIS, IBM/Sears Advantis, Compuserve, Prodigy, America Online, and various Internet

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[10] See: Insight Research, pp. 52-53; "Telecommunication Services -- Industry Overview," Information Access Co., January 1994; and "Building a Race of Global Supercarriers," McGraw Hill, December 1994.

[11] See id.

[12] Data Channels, January 31, 1994.

[13] Insight Research, p. 82.

[14] Id. at 93.

access providers.[15] Mobile services are expected to grow especially fast. The market for mobile e-mail and short message services is expected to grow from $7 million in 1995 to approximately $2 billion by 2000. E-mail services often offer electronic data interchange and electronic document interchange ("EDI") capabilities.[16]

The EDI market was estimated at $509.6 million in 1994. It is expected to grow at a 35 percent compound annual growth rate through 1999.[17] EDI capabilities are used with numerous types of information, and each market area has its own set of competitors. Competitors, in addition to Pacific Bell, who offer Health Information Networks with EDI capabilities for either enterprises or communities include: Ameritech/Health Network Ventures; SMS; IMS; Sprint; First Data Corporation; HBOC; and IDX. Competitors, in addition to Pacific Bell, specifically in the California marketplace for financial and administrative healthcare EDI include: CyData; Electronic Data Systems; ENVOY; EQUIFAX; Healthtronics; and IMS.

The market for online electronic information services was approximately $6.3 billion in 1994. Consumer online services represented about $630 million of that total and are expected to grow at a compound annual growth rate of 30.98 percent until 1999, when the consumer market will be about $2.4 billion.[18] Fastest growing is Compuserve. In 1994, Compuserve's revenues rose 38.2 percent to $102 million, and

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[15] See id. at 49.

[16] EDI is electronic store and forwarding used in business-to-business and consumer-to-business transactions to exchange business transactional information and documents in standard formats. EDI is used for purchase orders, electronic funds transfers, inventories, and many other purposes.

[17] Insight Research, p. 92.

[18] Id. at 85.

its subscriber base grew 46.1 percent to over 2 million.[19] Other major consumer online services include Prodigy, with 2 million subscribers, America Online, with 450,000 subscribers, and GEIS, with 400,000 subscribers.[20] Some believe that Microsoft will rapidly take the lead in the provision of online services. They point out that "[i]f only 10 percent of its expected 30 million Windows 95 customers choose the recently announced Microsoft Network, the company has the other online vendors beat."[21]

The U.S. business online information market has 8 million customers and is expected to grow by 80 percent this year.[22] The largest online business information and business news providers include: Dun & Bradstreet; Dow Jones News/Retrieval; Disclosure, Inc.; Mead Data Central; Newsnet; and Market Analysis and Information Database.[23]

The Commission notes that "nearly 100 newspapers...are now available electronically through competitive gateways such as America Online and Prodigy."[24] Numerous newspapers are now also available directly on the Internet via numerous Internet access providers.[25] In addition, "[n]ewspapers are launching recorded message telephone services, interactive audio/video links, and online data bases in an

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[19] Annual Report to Stockholders, H&R Block, Inc., 1994.

[20] Insight Research, p. 21.

[21] "The Company People Love To Hate," San Francisco Chronicle, March 13, 1995, p. B1, 3.

[22] "On-Line For America," Associated Newspapers, Ltd., March 19, 1995, p. 6.

[23] Insight Research, pp. 30-33.

[24] Notice, n. 80.

[25] See, e.g., "Chronicle to take Leap to Computer Cyberspace," The Houston Chronicle, January 15, 1995, Section A, p. 1 (lists 23 other newspapers available on the Internet).

effort to push their product into a wider market."[26] The total number of newspapers offering some form of electronic information rose from 450 in 1991 to 3,200 in 1995, a seven-fold increase.[27] Even publishers known as "holdouts" in the electronic front, including Gannett Co. and New York Times Co., are taking "major steps to prepare for a new generation of electronic communications."[28] Gannett is forming a subsidiary to explore electronic services, and the New York Times Co. will spend "$30 million to $40 million over the next few years on such services, including an online service at the Boston Globe, electronic New York Times classified ads and more at its regional dailies."[29]

The professional subsegments (e.g., legal) of the online information services segment are not expected to experience any appreciable growth through 1999. This lack of online growth, however, is not a sign of any decline in the growth of this market. Rather, it is caused by the advent of CD-ROM competition. As more PCs are equipped with CD-ROM capabilities, it becomes more economical to deliver less volatile information by this medium rather than online via network services.[30]

There are numerous other online electronic messaging/videotex gateway subsegments. Many of them are relatively new areas, and each has its own set of competitors. For instance, in the area of multi-media development, Pacific Bell faces

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[26] "US Newspaper Industry Blasts Into Cyberspace," Agence France Presse, March 16, 1995.

[27] Id.

[28] "1993 Ends On High Note," Editor & Publisher Magazine, January 7, 1995, News Section, p. 15.

[29] Id.

[30] Insight Research, p. 87.

the following competitors: Sprint (DRUMS); America Online and other online information services; Emass; Clarion and other mass storage systems; Syquest and other CPE storage devices; Westlight and other stock houses; Kodak Picture Exchange; Picture Network International and other online image and audio databases; and PressLink and other news photo services. Other potential multi-media development competitors in California include: RenderRing; Microsoft; Sony; Knight Ridder; Reuters; Dow Jones; Sun Microsystems; Click 3X; Coconut Computing, Inc.; Buzz Image Group; and Co-Net Communications, Inc. In the area of store and forward distribution of movies to theaters, Pacific Bell faces the following potential competitors in California: Alcatel Network Systems; Bell Atlantic and other BOCs; Hughes/JVC; AT&T and other IXCs and CAPs; and Qualcomm and other satellite-based services.

B. Voice Mail And Voice Store & Forward Services

In 1986, the Commission found that structural separation requirements had "prevented consumers, and particularly small-business and residential consumers," from being offered network-based voice messaging services.[31] The rapid development of these services since the Commission's removal of structural separation requirements shows that the Commission was right. If the Commission retains its policy of allowing enhanced service integration, the market is expected to continue its rapid expansion.

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[31] CI-III Phase I Report and Order, para. 90.

From 1989 to 1991, users of voice messaging equipment grew from 5.3 million to 11.6 million.[32] The voice messaging market segment grew from $665 million in 1989 to $1.1 billion in 1991, and to $1.54 billion in 1994. The market is expected to grow to over $3 billion by 2000, with forecasted annual growth of 12.7 percent.[33] In addition to the BOCs, major competitors include Tigon (Octel), Voice-Tel, Voice-Com,[34] and MCI.[35] There also are approximately 4,000 voice messaging and live answering firms in the United States.[36] As fast as the general voice messaging market is growing, mobile voice mail service is expected to grow much faster, multiplying "12 times to reach $7.2 billion in the United States and 17 times to $8.6 billion in Europe by the year 2000."[37]

Interactive voice response and audiotex services are expected to continue to increase at a compound annual growth rate of 30 percent, from $1.95 billion in 1994 to $7.24 billion in 1999.[38] In addition to BOCs, major competitors include Call Interactive, InfoAccess, Scherers Communications, and U.S. Audiotex.[39]

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[32] NATA, 1991 Telecommunications Market Review and Forecast, p. 135.

[33] NATA, 1993-94 Telecommunications Market Review and Forecast, p. 171. Frost & Sullivan, "U.S. Voice Messaging Services Markets," Report 5172-63, December 1994 ("Frost & Sullivan"). Insight Research expects public voice mail service to grow at a compound annual growth rate of 25.94 percent and reach $4.4 billion by 1999. Insight Research, p. 85.

[34] Insight Research, p. 44.

[35] Frost & Sullivan, 1994, pp. 4-31, 9-17, 9-18.

[36] Id. at 5-2.

[37] "Value-Added Mobile Services to be Worth $25.6 Billion by Year 2000, Study Says," Mobile Phone News, February 6, 1995.

[38] Insight Research, p. 85.

[39] Id. at 41.

The total voice messaging services market can be divided into three segments: 1) nationwide; 2) local and regional; and 3) cellular. Nationwide subsegments are 1) interexchange carriers and 2) service bureaus. Local and regional subsegments are 1) the BOCs, 2) independent LECs, and 3) local and regional service bureaus. Each segment and subsegment, except cellular carriers,[40] can be further divided into 1) residential, 2) small business, 3) medium business, and 4) large business.[41] Providers in all these segments and subsegments face strong competition from CPE (e.g., answering machines).[42] Service bureaus compete in the voice messaging market by using both live-operator and automated answering services.[43]

The BOCs and independent LECs have been the primary force behind the development of the residential voice messaging market.[44] In 1986, when the BOCs were subject to structural separation requirements, there were virtually no network-based voice messaging services and, thus, virtually no residential market.[45] Live-operator services were too expensive for most people to use. By 1990, thanks to the development of network-based services, the residential end-user market accounted for 16 percent of voice messaging service revenues. Now that figure has risen to over 31 percent and is expected to continue to rise.[46] The residential market, however, still poses great challenges and opportunities for network-based competitors because this

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[40] Cellular carriers do not distinguish their customers in this manner.
[41] Frost & Sullivan, p. 1-3.
[42] See id. at 1-7, 3-19, 5-17, 5-27, 6-4, 6-11, 6-12.
[43] See id. at 1-2, 2-9, 5-2, 5-53, 5-60, 8-6.
[44] Insight Research, p. 44; Frost & Sullivan, p. 1-4.
[45] See CI-III Phase I Report and Order, para. 90.
[46] Frost & Sullivan, p. 3-16.

market "is still dominated by telephone answering devices, which are relatively inexpensive."[47] Competition between answering machines and network-based voice mail providers has further benefited consumers because answering machine technology has been improved to provide features similar to those available through voice mail, e.g., date-time stamp and multiple mailboxes on the same machine. End users with personal computers may also use PC boards that provide "a number of communications capabilities, such as voice mail, fax mail, and electronic mail...."[48] As noted above, fierce competition is expected from mobile voice mail. In addition, cable TV companies represent tremendous potential competition in this market.[49]

The BOCs' ability to serve the large business voice messaging market is limited by the MFJ restriction on BOC interLATA services. Large businesses with widespread locations often can more efficiently satisfy their needs by choosing providers such as MCI or national service bureaus.

The BOCs' ability to use network-based services to meet the needs of medium-size businesses also is limited. These customers are likely to continue to rely primarily on CPE.[50]

In the face of these continuing market forces, the BOCs and independent LECs have played an extremely important role -- providing price competition which is helping to rapidly expand the market for all providers. Frost & Sullivan estimates that from 1990 to 1993 the number of voice mail boxes in use rose from 2.9 million to

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[47] Id. at 1-7.
[48] Id.
[49] See id. at 5-36.
[50] See id. at 5-12.

6.9 million, and that by 2000 the number will reach 22.4 million. Frost & Sullivan attributes this rapid growth to "a more competitive market, driven by the lower-priced voice messaging offered by the RHCs and independent LECs."[51]

This price competition from BOCs and independent LECs has caused all providers to seek new ways to meet customer demands by expanding, converging, and integrating service offerings. Frost & Sullivan explains this development as follows:

> Most of the providers in the total market are moving away from voice messaging as a stand-alone service, and are introducing other enhanced communications services to increase their competitiveness. Because prices have decreased for voice messaging services, providers are finding new services and new ways of packaging voice messaging with other services in order to differentiate themselves from the competition and sustain revenues.
>
> Many of the large service bureaus, nationwide providers, RHCs, and independent LECs have begun offering fax mail, fax-on-demand services, electronic mail, pager notification of voice messages received, interactive voice response, and other services. Even small, live answering/voice messaging service bureaus have introduced other services, such as order-taking and order fulfillment.
>
> * * *
>
> End-users will use the voice messaging services of the company that provides them with a variety of other communications services, in a package most suitable for

[51] Id. at 3-11. See also id. at 3-10, 4-5, 4-34, 4-35, 5-5, 5-6, 5-14, 5-56. For instance, Frost & Sullivan points out: "Tigon, a nationwide service bureau that charged an average of $15 to $25 per month for business voice messaging in 1992, lowered its monthly mailbox fees to the $10 to $20 range in 1993. The price reductions place Tigon's voice messaging in line with what most RHCs and independent LECs charge for business voice messaging. With volume discounts, the monthly fees can be much lower. Advanced Communications, a local voice messaging and live answering service bureau, also lowered its fees for stand-alone voice messaging. In 1992, fees averaged $15 to $25 per month, and in 1993, they ranged from $15 to $21 per month."

their needs, whether these are international messaging capabilities or local residential voice messaging services.[52]

Thus, the Commission's Computer III policy is working. Consumers are getting new and lower-priced service options, packaged the way they want them, as the result of fierce competition. In order for this competition and the resulting consumer benefits to continue, the Commission's Computer III policy must continue.

III. OUR PRESENCE IN THE ENHANCED SERVICES MARKET IS BENEFITING CONSUMERS

We have developed and continue to evolve a number of beneficial applications of our voice mail, voice store and forward, and electronic messaging/videotex gateway[53] enhanced services. This progress is consistent with the Commission's Computer III goals and has been made possible by its Computer III policy of allowing BOC integration.

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[52] Id. at 3-23, 3-24. Octel, a nationwide service bureau, provides voice messaging service that includes "two-way messaging, TigonANSWER call answering without switch integration, integration of a customer's telephone system with a Tigon Network Center, automated attendant, verbal bulletin board, voice forms, local or toll-free access for external callers to leave messages directly in the customer's mailbox, and paging." (Id., at 4-42.) VoiceCom Systems provides voice messaging with fax mail, interactive voice response, audiotex, long distance, conference calling, and 1-800 numbers. (Id. at 4-43.)

[53] Electronic messaging and videotex have converged, and there are no clear distinctions between them or their various applications.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services	)	CC Docket No. 95-20

REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL

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Attorneys for Pacific Bell
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Date: May 19, 1995

B. The Growth Of The Enhanced Services Market Substantiates And Helps Ensure The Success Of Non-Structural Safeguards

ITAA and NAA assert that the growth of the enhanced services industry and the presence of large ESPs does not help support the granting of structural relief for the BOCs.[56] They are wrong. First, the growth of the market during the years that the BOCs have been allowed to provide integrated enhanced services provides evidence that the BOCs have not harmed ESP competition and that the BOCs' presence has, in fact, helped stimulate the growth of the market. This growth is accelerating. For instance, since the filing of our comments, "eight of the nation's biggest newspaper chains...formed a national network that links local newspaper online services throughout the country."[57]

Second, the presence of large ESPs ensures that any BOC attempt to discriminate would be followed by a complaint to the Commission. Prodigy speculates that no formal complaints have been filed against the BOCs at the Commission because of the costs involved with fighting against companies such as the BOCs which have large resources.[58] This is ironic given that Prodigy is owned by Sears and IBM. Prodigy does not describe any complaints that it would have brought but for this supposed fear of facing large companies.

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[56] ITAA, p. 37; NAA, p. 16.

[57] "Big Newspaper Chains Riding the Internet," San Francisco Chronicle, April 20, 1995, p. D1.

[58] Prodigy, p. 2.

APPENDIX C

Regulatory Relations
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004
(202) 383-6423

PACIFIC TELESIS
Group-Washington

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April 2, 1990

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Federal Communications Commission
Office of the Secretary

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 88-2, Open Network Architecture

Dear Ms. Searcy:

On March 30, 1990, Keith Epstein, Executive Director, External Affairs for Pacific Bell's Information Services Group, William Adler and I (both in Pacific Telesis' Regulatory Relations Division) met with Leonard J. Kennedy, Senior Legal Advisor to Commissioner Duggan; Kenneth Robinson, Senior Advisor to Chairman Sikes; Diane J. Cornell, Legal Advisor to Commisisoner Marshall; Cindy Z. Schonhaut, Legal Advisor to Commisisoner Barrett; William G. Harris, Senior Advisor to Commissioner Quello; Richard M. Firestone, chief of the Common Carrier Bureau; Carl D. Lawson, Deputy Bureau Chief (Policy) and James D. Schlichting, Acting Chief, Policy and Program Planning Division.

Mr. Epstein reviewed Pacific Bell's position regarding Operation Support Systems and Customer Proprietary Network Information in the ONA proceeding. The attached material was used as the basis for discussion at these meetings. Please include this document in the above referenced docket.

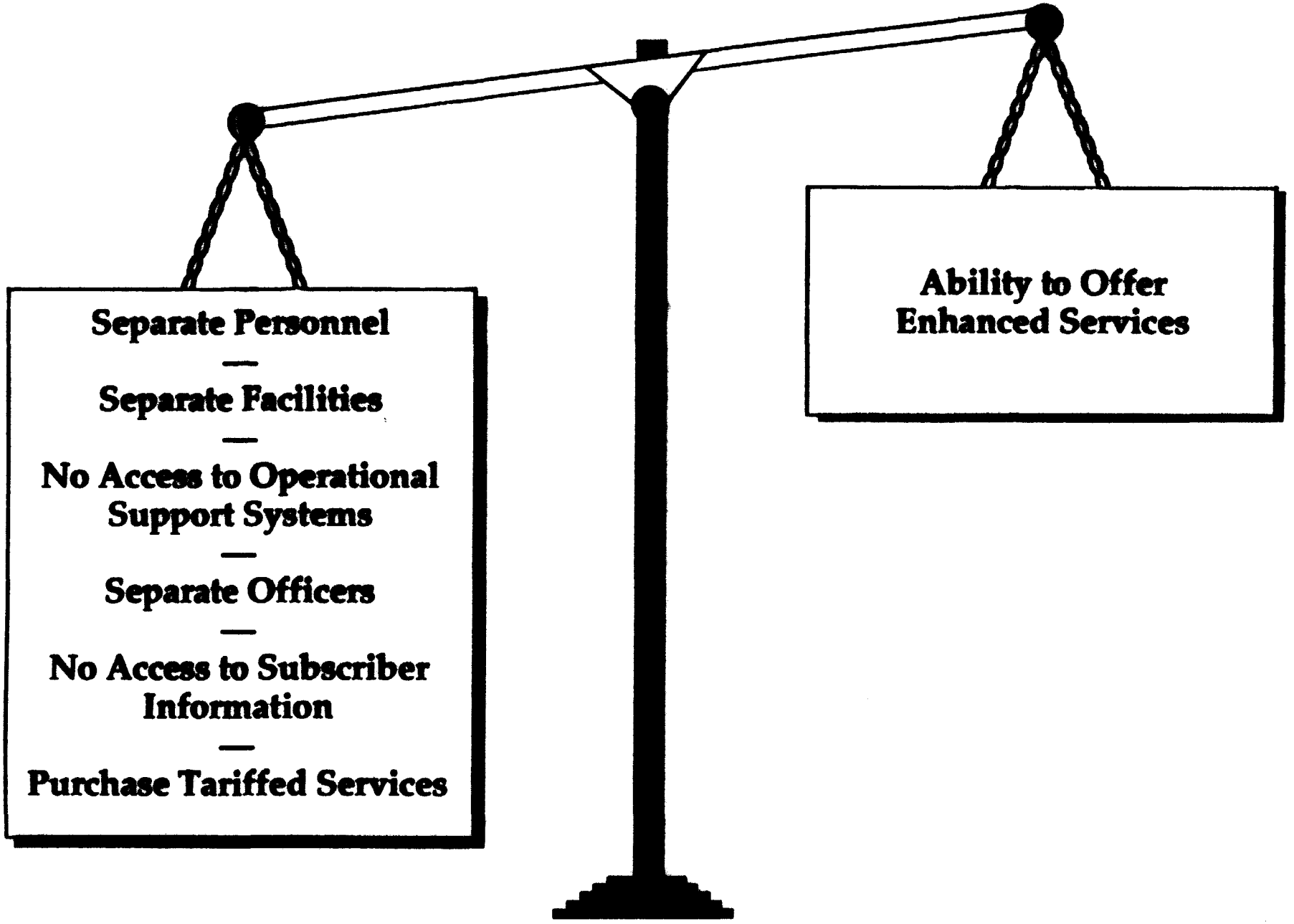
Due to the number of scheduled meetings, it was not possible to file this ex parte notice on the 30th.

Sincerely,

Celia Nogales

cc: Leonard J. Kennedy
Kenneth Robinson
Diane J. Cornell
Cindy Z. Schonhaut
William G. Harris
Richard M. Firestone
Carl D. Lawson
James D. Schlicting
Steve Gorosh
Regina Harrison

Computer Inquiry II — Separate Subsidiary Requirements

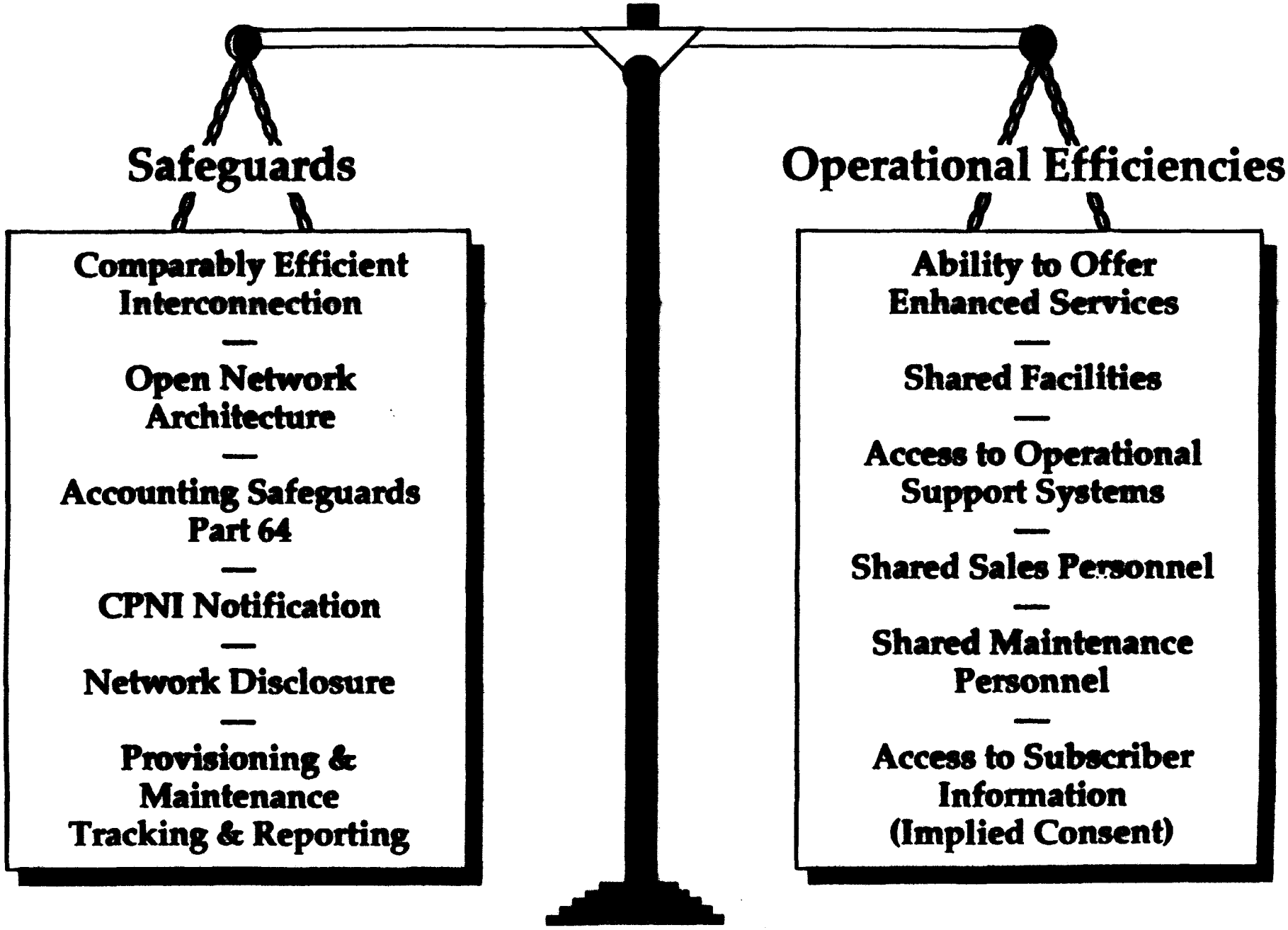


Computer Inquiry III — Removal of Structural Separation

The FCC broadly reopened the enhanced services issues addressed in Computer II because "the definitions and structural separation requirements governing AT&T and the BOCs have *demonstrably impaired communications efficiency*" and because the result of structural separation "can be (and has been) to *deny the public services* that, at least in the past, could not be provided except through such integration."

– Docket No. 85-229, *Notice of Proposed Rulemaking*, Released August 16, 1985

Computer Inquiry III Created Equilibrium



Computer Inquiry III Created Equilibrium

"We have carefully designed these nonstructural safeguards to permit AT&T and the BOCs to provide new, integrated services, to permit competitors to achieve near equal efficiencies in offering similar products, and to control anticompetitive practices."

– Docket No. 85-229, *Report and Order*, Released June 16, 1986.

Erosion of CI-III Equilibrium